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April 16, 2012

VIA ELECTRONIC FILING

Jocelyn Boyd, Esquire  
Chief Clerk/Administrator  
Public Service Commission of South Carolina  
101 Executive Center Drive, Suite 100  
Columbia, South Carolina 29210

**Re: Statement of Position of Southern Alliance for Clean Energy on Duke Energy Carolina's Residential Retrofit Pilot Filing, Docket No. 2010-51-E**

Dear Ms. Boyd:

The Southern Alliance for Clean Energy ("SACE") files this Statement of Position letter to comment on Duke Energy Carolinas, LLC application to curtail the Residential Retrofit Pilot, which Duke Energy filed on March 29, 2012.<sup>1</sup>

SACE generally supports the Company eliminating a pilot project that is not successful. However, in its letter, the Company did not discuss (i) whether it plans to incorporate the measures used in this pilot into another program; (ii) whether it investigated alternative implementation models for the pilot; and (iii) whether it plans to serve this market with a new program in the future. We believe this information should be provided.

Moreover, the pending application presents Duke Energy's first request to eliminate an energy efficiency pilot since the modified Save-A-Watt cost recovery mechanism was approved in South Carolina. SACE therefore recommends that the Commission consider whether the Company should provide specific information when it proposes to modify or eliminate energy efficiency programs or measures in the future.

**I. DEC should explain whether it will incorporate into other programs the cost-effective measures that are eliminated as a result of curtailing the Residential Retrofit pilot.**

Based on conversations with the Company, and its proposal to add additional building envelope measures to its Residential Smart Saver program,<sup>2</sup> SACE believes that Duke will incorporate some of the measures from the Residential Retrofit Pilot into its Residential Smart Saver program. SACE appreciates the Company's efforts to keep residential building envelope measures in its energy efficiency portfolio.

However, it is difficult to tell if all measures that were offered in the Residential Retrofit Pilot will be moved to the Residential Smart Saver program because Duke did not provide a list of measures and incentive paid in the letter to curtail the Residential Retrofit Pilot.

<sup>1</sup> SACE is not filing for intervention in 2010-51-E because we do not anticipate participating in this docket beyond submitting this Statement of Position letter. We are aware of the limited manner in which such a letter submitted by a non-party may be considered where a specific application is at issue.

<sup>2</sup> See Duke Letter re: Residential Smart Saver, Docket 2009-226-E (April 10, 2012).

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**II. DEC should discuss whether it explored any alternative implementation plans for the pilot, and if so why they were not adopted.**

There has been little information provided to date, in North or South Carolina, about how Duke Energy has considered modifying the pilot to increase participation, improve the conversion rate, and otherwise make it more successful. SACE believes that it would be prudent for the Company to discuss the efforts that it made to modify the program, or new pilot program options to address this market. DEC's letter filing does not contain any information regarding alternative implementation plans or efforts made to improve the program.

There is a wealth of literature available on implementing a residential "whole-house" efficiency program, including the Department of Energy's Energy Efficiency and Renewable Energy's Residential Retrofit Program Design Guide<sup>3</sup>; the Lawrence Berkeley National Lab (LBNL) reports on residential retrofit<sup>4</sup>; and the State and Local Energy Efficiency Action Network reports from its residential retrofit working group.<sup>5</sup>

One example of a potential program change that the Company could have made is the incentive level. The incentive level may have been too low to motivate customers to act. As Table 1 illustrates below, Duke's incentive level to comprehensively address energy efficiency in the home was lower than those of similar, successful residential retrofit programs offered elsewhere. The low incentive may also have contributed to the program having such low participation rates.

Table 1. Comprehensive Home Retrofit Program Incentives<sup>6</sup>

Administrator	Program	Maximum Incentive
Duke Energy	Residential Retrofit Pilot	\$800 including audit
SCE&G	Home Performance with Energy Star	\$2500 per home
Bonneville Power Administration	Weatherization Program	\$1500 - \$3000 per home
Town of Babylon	Long Island Green Homes	~\$7500 per home
NYSERDA	Home Performance with Energy Star	\$7,700 per home
DC Project	Weatherize DC	\$2000 - \$4000 per home

Another program suggestion that is frequently mentioned in materials on best practices for residential retrofit programs is the need for unique and repetitive marketing. It is unclear whether the pilot identified unique customer segments and, if it did, whether Duke marketed specifically to them and whether the Company's marketing materials focused on the additional benefits of home efficiency beyond cost savings, such as the comfort of one's home. SACE understands that the Company tried to generate customer interest by sending a series of three

<sup>3</sup> [http://www1.eere.energy.gov/wip/solutioncenter/pdfs/residential\\_retrofit\\_program\\_design\\_guide.pdf](http://www1.eere.energy.gov/wip/solutioncenter/pdfs/residential_retrofit_program_design_guide.pdf)

<sup>4</sup> <http://drivingdemand.lbl.gov/>

<sup>5</sup> [http://www1.eere.energy.gov/seeaction/pdfs/retrofit\\_energyupgradesroadmap.pdf](http://www1.eere.energy.gov/seeaction/pdfs/retrofit_energyupgradesroadmap.pdf)

<sup>6</sup> LBNL, Driving Demand for Home Energy Improvements, Report number LBNL-3960E.

post cards, but it is not clear how many customers received the post cards and at what point during the pilot the cards were sent.

SACE suggests that, in current and future energy efficiency program modifications, the Company provide information about what it has done to modify the pilot.

**III. DEC should clarify if it intends to develop a new pilot or meet this market need with an additional program.**

In its letter to curtail the Residential Retrofit pilot, the Company does not indicate whether it intends to provide a new pilot program or adopt a similar program implemented elsewhere, such as the Home Performance with Energy Star (HPwES). HPwES is a residential energy efficiency program that uses a whole house approach to lower home energy bills that was designed by the Environmental Protection Agency and the Department of Energy.

South Carolina Electric & Gas (SCEG) began implementing the HPwES program in March 2011, and in the first quarter of March 2012, provided 41 rebates.

	Duke Energy Carolinas	South Carolina Electric & Gas
Program Description	Aid customers in assessing their energy use and to provide recommendations for more efficiency use of energy. Focuses on top four home energy improvements: <ul style="list-style-type: none"> <li>• air sealing and insulation,</li> <li>• attic insulation</li> <li>• duct sealing</li> <li>• duct insulation</li> </ul>	Comprehensive energy audit conducted by BPI certified contractor, with incentives for: <ul style="list-style-type: none"> <li>• air sealing and insulation,</li> <li>• heating &amp; cooling equipment</li> <li>• heating &amp; cooling improvements,</li> <li>• water heating</li> <li>• bonus incentive for multiple measures</li> </ul>
Incentive Amount	\$800 per home including audit	\$2500 per home, \$200 for audit
2011	Audit: 113	Audit: 160
	Rebate: 4	Rebate: 33
2012	Audit: None?	Audit: 147
	Rebate: None?	Rebate: 41

SCEG's HPwES clearly is faring better than Duke Energy's Residential Retrofit pilot. It is worth noting that SCEG is offering a significantly higher incentive than is Duke Energy in its Residential Retrofit pilot. Duke could consider leveraging the Energy Star brand and marketing materials by implementing the HPwES program, as an alternative to its Residential Retrofit pilot.

**IV. The Commission should consider establishing guidelines concerning information to be included in future program modifications and/or program elimination filings.**

The Residential Retrofit Pilot is one of the first energy efficiency program pilots that DEC is planning to eliminate, and, as a result, it could inform how the Company seeks to eliminate measures or programs moving forward.

On February 6, 2012, Duke Energy, the North Carolina Utilities Commission Public Staff, and SACE filed a joint proposal to the North Carolina Utilities Commission ("NCUC") on energy efficiency program modifications to deal with this issue.<sup>7</sup> The joint proposal identifies program changes that should require regulatory approval prior to implementation, and those that do not require approval, but should require advance notice be filed with the Commission. The proposal also articulates the process by which a concerned party can address program modifications, and identifies a template for quarterly reporting on program modifications, in which the Company provides a description of the program or measure change.<sup>8</sup>

While the North Carolina Commission has not yet approved the joint proposal, the Commission may want to consider whether a similar process and template would be appropriate for Duke Energy in South Carolina.

## V. Conclusion & Recommendations

In conclusion, SACE supports Duke making changes to its energy efficiency portfolio as needed. However, for the reasons discussed above, SACE recommends that Duke take the following actions: (i) provide information about whether all or some of the measures in the Residential Retrofit pilot will be included in the Residential Smart Saver or other programs; (ii) provide information in this filing and future modification filings, about what efforts were made to modify the pilot by increasing participation or otherwise program more successful; and (iii) provide information about any plans to meet the whole home residential retrofit market with a different or modified program.

SACE also urges the Commission to consider issuing guidelines regarding what information should be included in energy efficiency program modification filings, as has been articulated in North Carolina.

SACE looks forward to continuing to work with Duke to ensure that the Company's programs succeed in saving energy and money for South Carolinians.

Sincerely,



Natalie Mims  
Energy Policy Manager

cc: Dan F. Arnett, Chief of Staff, SC ORS  
Shannon Bowyer Hudson, Esquire, SC ORS  
Courtney Edwards, Esquire, SC ORS

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<sup>7</sup> The Joint Proposal was filed on February 6, 2012 in NCUC Docket E-7 Sub 831 and currently is pending before the Commission.

<sup>8</sup> The Company has not filed to eliminate the Residential Retrofit Pilot in North Carolina to date. Therefore, it is unclear what details Duke will provide in its application to eliminate the program and/or in its program modification template.

Charles A. Castle, Senior Counsel, Duke Energy Carolinas, LLC  
Timika Shafeek-Horton, Deputy General Counsel, Duke Energy Carolinas